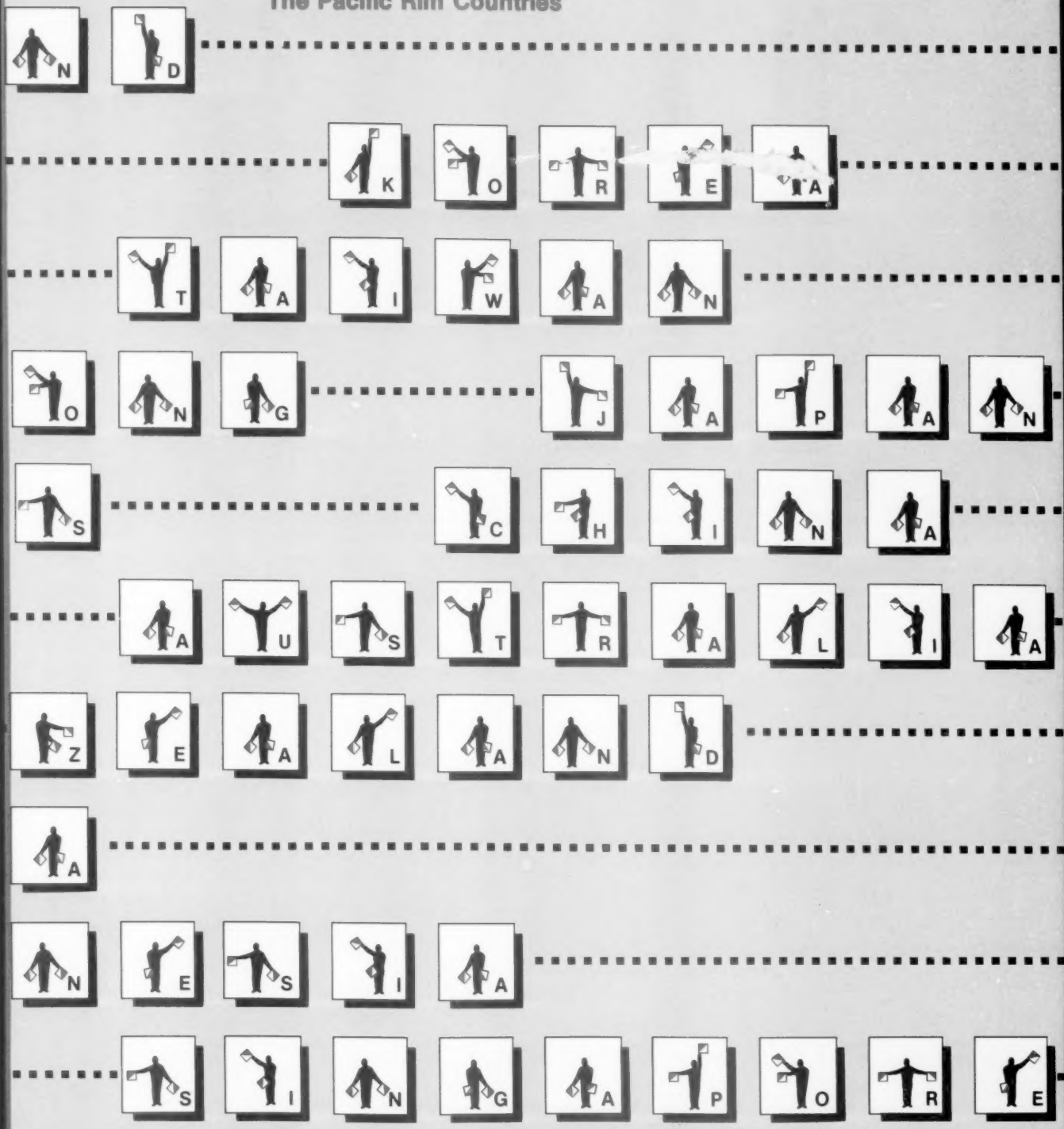
United States
Department of Agriculture

Foreign Agricultural Service

June 1985

Foreign Agriculture

Economic Signals Favor Trade with The Pacific Rim Countries



Marketing News

SUSTA Sponsors Successful Wood Mission to Europe

The **Southern U.S. Trade Association (SUSTA)** recently sponsored a trade mission to Italy and Spain for forest product exporters. Members of the team included forest product dealers from Louisiana, Tennessee, Kentucky, North Carolina and Georgia. The team traveled to Madrid and Valencia, Spain, and Rome and Milan, Italy, to meet with importers and various end-users of U.S. soft and hardwoods. The trade mission also included factory visits and trade receptions for the team members. At the conclusion of the trip, the group reported more than a quarter of a million dollars in sales, with projected sales through 1985 of nearly $2 million.

SUSTA is currently planning a similar trade mission for wood product exporters—this time to Korea, Taiwan and Japan—in January 1986. For further information, contact SUSTA, International Trade Mart #338, New Orleans, LA 70130, or call (504) 568-5986.

ATO/Hamburg Hosts Sunflower Marketing Team

The **U.S. Agricultural Trade Office (ATO)** in Hamburg recently hosted the visit of a **National Sunflower Association (NSA)** marketing team interested in discussing future marketing activities for sunflower products in West Germany. Although some West German companies were pessimistic about the possibilities of sunflowerseed use in feeds due to extremely low feed prices currently in effect, one leading miller encouraged the NSA to increase production because the miller felt prospects were good for U.S. sunflowers on the West German market.

NSA representatives also had an opportunity to learn more about the confectionery side of the market for sunflower nutmeats, which utilized an estimated 2,500 tons in 1984. One of the major West German importers and distributors of sunflower nutmeats was optimistic that further U.S. sales could occur in this area and that good opportunities existed for promotional activities.

The team also found that a good market exists for sales of sunflowerseed as bird food. West Germany imports roughly 35,000 tons of sunflowerseed annually—primarily from Hungary—for bird food. Other countries in Western Europe also import similar amounts for this purpose, mostly from Hungary and Bulgaria. For this market, smaller sunflowerseed are preferred.

MEF Participates in Frozen Pork Campaign in Singapore

More than 350 Singapore meat importers, retailers, hotel and restaurant officials attended the recent Singapore Seminar and Trade Exhibition, which ended a month-long campaign by the government to encourage demand for frozen pork. The **U.S. Meat Export Federation's (MEF)** participation at the exhibit included extensive sampling of U.S. pork products, as well as videotapes and handouts on how to handle and thaw frozen pork and a press conference for the media. Other countries participating included the United Kingdom, Sweden, Denmark, the Netherlands, Belgium, Ireland, New Zealand and Canada.

Stage Set for Increased Feed Grain Sales to Venezuela

Venezuela—a 1.6-million-ton market for U.S. feed grains—holds potential for expanded sales provided a lack of technical and managerial expertise in the Venezuelan swine industry can be overcome. Recently, the **U.S. Feed Grains Council, the American Soybean Association, the U.S. Swine Records Association**, the U.S. Department of Agriculture and representatives from Venezuela's swine industry took a major step to removing that obstacle. These groups teamed up to hold a national fair designed to bring modern swine production and management technology to the country's swine producers.

More than 2,000 key swine producers in Venezuela received the latest information on swine production and management, talked with technical consultants from the United States and had the chance to find out about the sponsoring groups' activities.

The Magazine for Business Firms Selling U.S. Farm Products Overseas

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The 12 countries of the Pacific Rim have surpassed the European Community as the United States' leading market for agricultural products.

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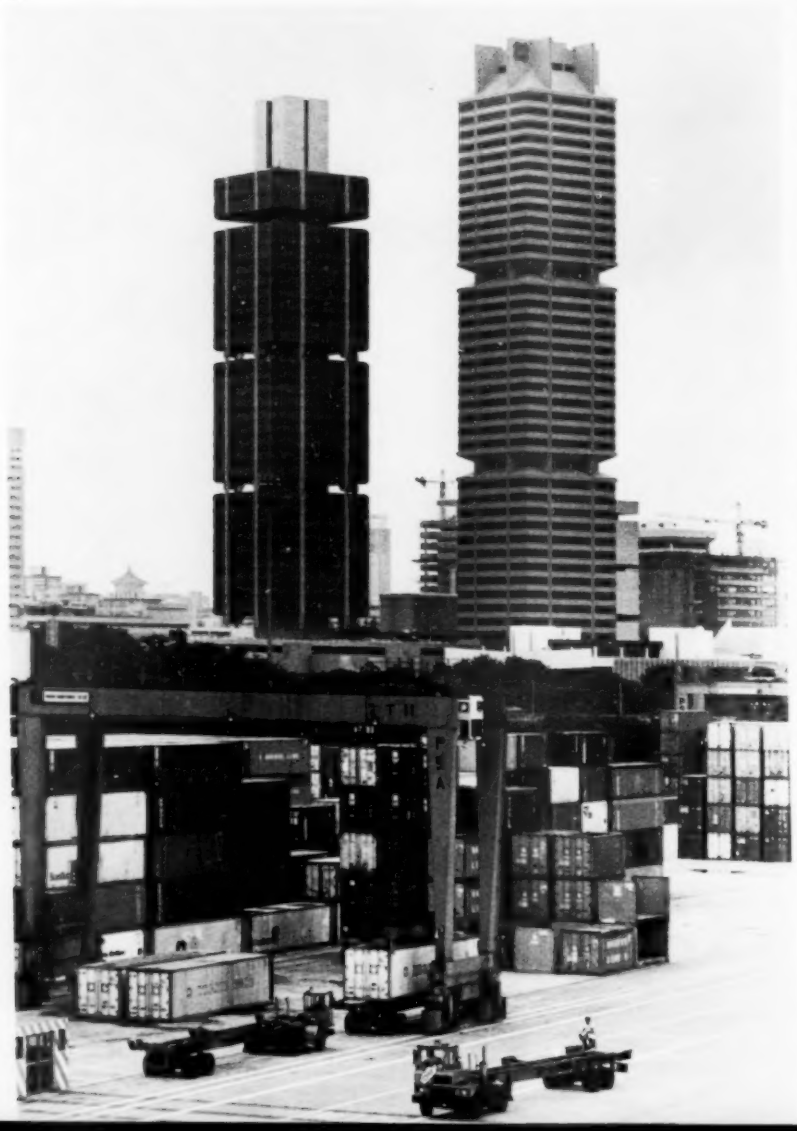
The Pacific Rim: New Directions for U.S. Trade

During the course of the last decade, the 12 economies of the Pacific Rim have emerged as the world's fastest growing market area. In fact, the region has replaced the European Community (EC) as the single most important outlet for U.S. agriculture. U.S. agricultural exports to the Pacific Rim amounted to $12.6 billion in fiscal 1984, well ahead of the $6.7-billion-market for U.S. agricultural products within the EC.

Because of the tremendous importance of the Pacific Rim to U.S. agricultural exporters, the June and July issues of Foreign Agriculture will focus on the region's role as both a customer and competitor for the United States. Through text and charts developed by FAS' Trade and Economic Information Division, this issue will present a profile of the 12 economies' market potential and buying patterns. Next month the emphasis will be on the region's purchasing trends by commodity.



The 12 economies of the Pacific Rim—Australia, China, Hong Kong, Indonesia, Japan, the Republic of Korea, Malaysia, New Zealand, the Philippines, Singapore, and Thailand—exhibit varying potentials for sustained economic development. Nonetheless, they are unified in the manner in which they have exhibited robust economic performance in recent years. Furthermore, U.S. agricultural trade with this region generally has outpaced the trend with other nations and the group has demonstrated a greater ability to take advantage of the surge in U.S. imports to stimulate the region's economies.

Growth in the region's gross domestic product has averaged considerably above rates for other market areas in recent years.

Most of the economies in the region are in a good position financially. Most are export-oriented, and the region enjoys a substantial trade balance with the rest of the world. Its ample foreign exchange reserves and trends in per capita income growth both support the anticipated substantial increase in imports of agricultural products.

Strong Growth Potential

While it is generally accepted that competition for Pacific Rim agricultural markets will increase during the coming decade (particularly for low-value commodities), import demand is expected to increase for a wide variety of agricultural products. Such import growth is expected to be broadly shared and occur even in the face of steady gains in the region's rural agricultural output.

Such expectations are tied to prospects for continued attractive economic growth and attendant increases in real incomes, changes in income distribution, income elasticities of demand for various foods and population growth.

Other factors that are expected to increase the demand for high-value agricultural products in particular include the strong urban bias to some development policies being implemented within the region, a rise in real disposable incomes that has favored higher income urban-based groups, and new and emerging taste preferences that have not been fulfilled by local production.

Two-Way Trade Important

Since most of the Pacific Rim countries are export-oriented, they depend heavily on the economic health of their major trading partners for internal growth.

The United States is by far the most important outlet for Pacific Rim exports. Japan is another big customer—and its economic prospects are considered to be the strongest in the world outside of those associated with the United States.

In the past two years, as a result of weaknesses in various Pacific Rim currencies relative to the U.S. dollar, Pacific Rim exports to the United States have soared while imports from the United States have declined.

The largest beneficiaries of the recent surge in U.S. imports have been Japan and the newly industrialized economies of Taiwan, Hong Kong and South Korea.

In these latter three nations, increases in export growth were translated into buoyant domestic demand. The result was maintenance of a reasonably healthy balance in their merchandise trade accounts despite stepped up imports.

The U.S. Market Position

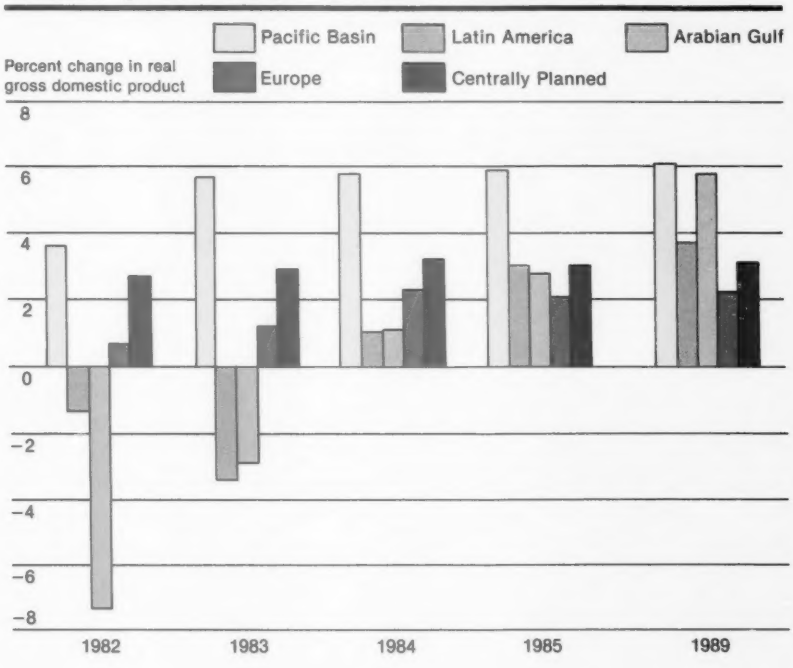
The United States runs total trade deficits with 10 of the 12 Pacific Rim countries—ranging from $97 million with New Zealand to $34 billion with Japan in 1984. Within the agricultural sector, however, U.S. exports generally top its imports.

Current Account Balances Show Pacific Rim Economies Getting Stronger

(Billions of 1975 U.S.$)

Country	1977	1979	1981	1983	1984	1985
Total Pacific Rim	**4.75**	**-14.82**	**-18.10**	**-5.14**	**8.68**	**8.91**
LDC Pacific Rim	-1.21	-5.04	-9.02	-7.47	-4.04	-3.29
Africa	-4.29	0.22	-10.28	-6.60	-4.67	-5.00
EC	2.81	-5.75	-8.00	1.55	2.53	7.77
Other Europe	-12.13	-4.80	-7.57	-1.03	5.05	8.93
Latin America	-10.67	-13.12	-19.30	-5.38	-2.71	-3.39
Middle East	17.87	25.27	15.06	-5.99	-5.13	-4.09
Other Asia	2.60	10.98	-2.64	-1.10	1.40	0.40

Economic Signals Favor Trade with Pacific Rim Markets



For example, in fiscal 1984, the U.S. import bill for Pacific Rim agricultural products stood at $4.1 billion, versus exports of $12.6 billion. The resulting net U.S. surplus stood at $8.5 billion.

Import Patterns

In 1983, the Pacific Rim imported $22 billion of low-value (generally raw or unprocessed) agricultural commodities, of which the United States supplied about half.

Nearly half of the low-value imports were grains and feeds, mostly unmilled wheat and corn, sold by the United States.

The United States also is the major source of Pacific Rim imports of oilseeds (mainly soybeans), medium-length raw cotton and flue-cured tobacco.

Demand for unprocessed horticultural items as well as dairy, livestock and poultry products is met almost entirely through intra-Pacific Rim trade.

The Pacific Rim's high-value agricultural imports amounted to about $16 billion in 1983. Imports of horticultural and dairy, livestock, and poultry products comprised about three-fourths of the total.

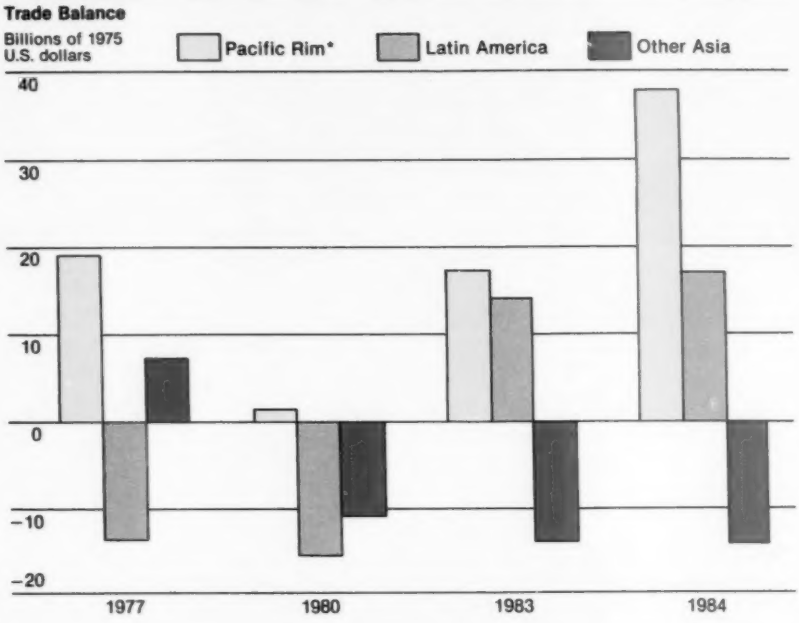
Prospects for Expansion

Most of the Pacific Rim countries' high-value trade to date has been with one another. Nevertheless, the best prospects for U.S. sales expansion appear to be in the high-value product sector since U.S. exporters would seem to have about reached their full potential in low-value exports.

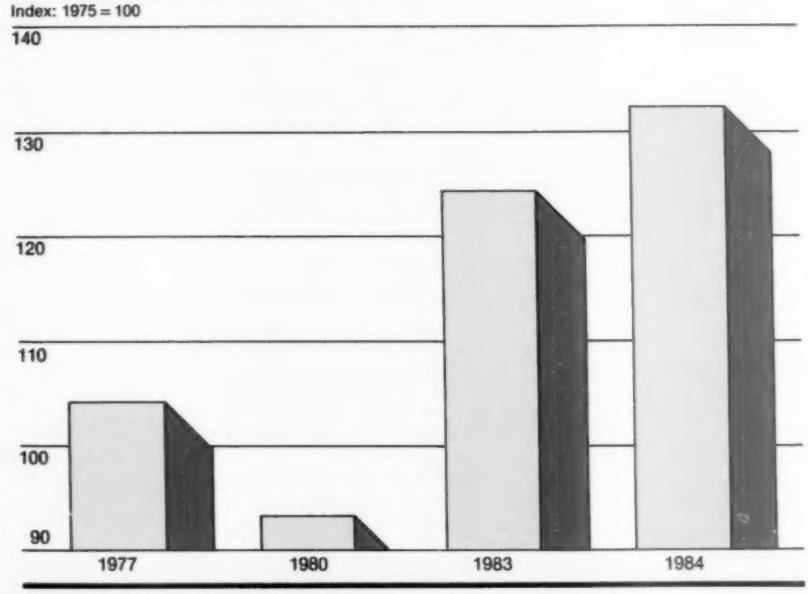
The opportunities for success in high-value sales will depend heavily on the ability of U.S. firms to understand respective Pacific Rim cultures and to successfully introduce Western foods wherever possible.

At present, our best selling items in the region are oranges, lemons, grapefruit, cattle hides, deboned beef and chicken pieces. ■

Growth in Pacific Rim's Trade Surplus With U.S. Parallels Rise in Dollar



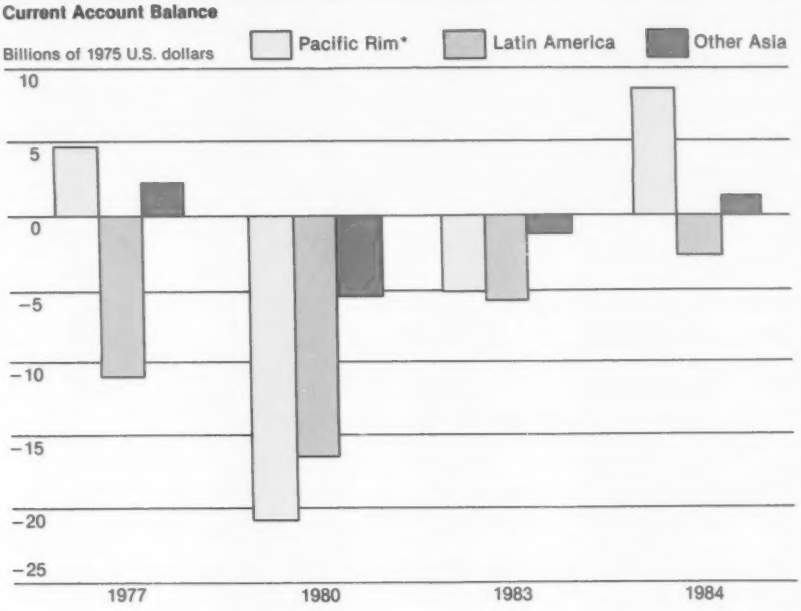
Effective Exchange Rate For The United States



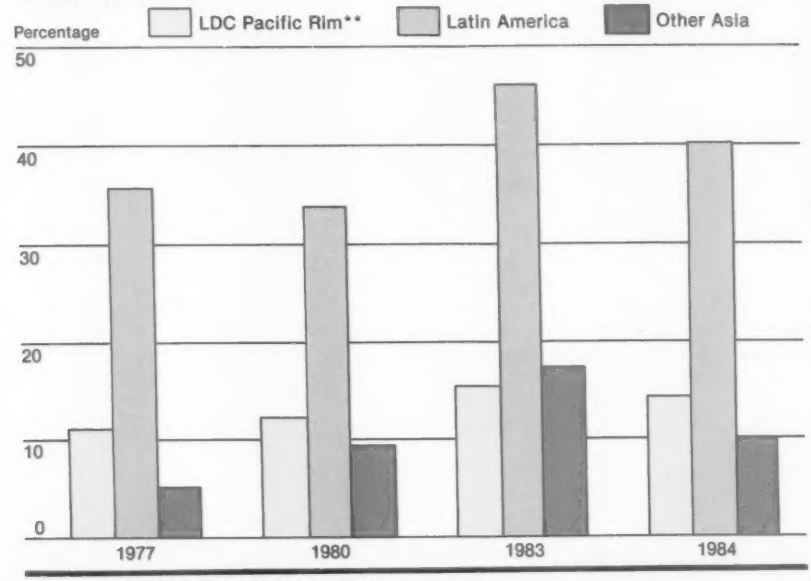
*Does not include People's Republic of China

Economic Signals Point to Pacific Rim as Good Market

Current Account Balance



Debt Service Ratio



*Does not include People's Republic of China
**Does not include People's Republic of China, Japan, Australia, or New Zealand

Detailed Marketing Profiles Available for Pacific Rim

Marketing profiles, which outline the total agricultural trade activity for each of the 12 economies of the Pacific Rim, may be ordered using the form on the inside back cover.

These profiles, which are available for $50 each, provide a wealth of statistical and financial information which can be used to pinpoint the marketing possibilities and constraints in particular economies.

Trade tables indicate which food products a country is importing from the United States to help identify foreign import preferences for U.S. products. Trade activity is classified into unprocessed and processed categories.

Other tables list total agricultural imports from leading world suppliers. The tables provide information about the performance of the United States and its competitors.

Each marketing profile also includes an export brief summarizing dynamic trade activity; a schedule of FAS field reports relevent to the profile's coverage, a list of FAS exporter services; and a fact sheet summarizing FAS responsibilities and key contacts.

When available, the profiles will also provide on-site analyses of the economy's market situation and outlook, plus mailing lists of food importers.

Export-Oriented Australia Has Room For a Few U.S. Products

Horticultural Products Lead Australia's Low-Value Imports. . .

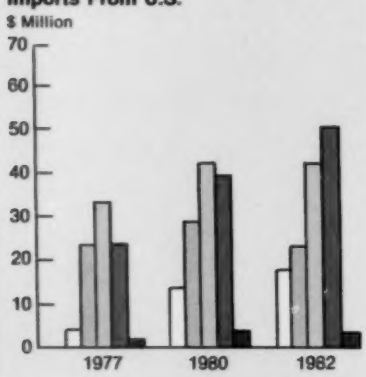
Total from world: $289 million

Same Products Make Up Over Half of High-Value Imports

Total from world: $626 million

- Grains and feeds
- Oilseeds
- Cotton and tobacco
- Horticultural products
- Dairy and livestock

Horticultural Products Top List of Imports From U.S.



Australia is a comparatively affluent society, with a per capita gross domestic product (GDP) of more than US$11,000 in 1983. It is also one of the most urbanized (less than 15 percent of the population resides in rural areas).

To provide employment for the growing urban population, both government and foreign firms have invested heavily in Australia's manufacturing and service sectors.

Liberalization of exchange rates since December 1983 is expected to open the Australian economy to greater foreign investment. Strict controls on capital inflows, however, remain in effect.

Public expenditures have been responsible for more than 80 percent of economic growth since the 1982/83 recession. This sector is expected to continue its investments in the manufacturing and service industries. These industries, therefore, show potential for larger imports of computer equipment, telecommunications systems, construction equipment, oil and gas field equipment and agricultural implements.

Australia's economy is heavily dependent on international trade. The extent of this reliance was underscored by the economic impact of the worldwide recession of 1982/83 and a severe drought in the early 1980s, which pushed annual GDP growth below zero. Since that time, growth has been and is expected to remain in the range of 3 to 4 percent a year.

Export Profile

Australia's economy is export-oriented and expected to remain so. Major emphasis is on agricultural and mineral exports which together account for about 80 percent of total exports. Agricultural exports are predominantly low-value (69 percent). Nonetheless, high-value products, especially dairy and livestock products, make an important contribution.

Principal low-value exports are wheat, barley, wool, unrefined sugar and raw cotton. Fresh, chilled and frozen beef and mutton, live sheep, lambs and goats, undressed hides and skins, milk and cream, cheese, eggs, grapes and raisins are major export commodities in the high-value sector.

Primary outlets for these exports are Japan, the United States, New Zealand and the United Kingdom. Although purchases are small at present, other Pacific Rim countries (China, Korea, the Philippines and Taiwan) are fast becoming important markets for Australian exports of these goods.

Key Agricultural Imports

Australian agricultural imports are dominated by horticultural products, which comprise 59 percent of total low-value and 54 percent of total high-value imports. Specific low-value imports are coffee, cocoa beans, natural rubber and unmanufactured tobacco.

High-value imports include bread, biscuits, pastries, equine products, cheese, nuts, juices, canned vegetables, cocoa butter, wine and cigarettes.

Competition is stiff for the Australian market. Papua New Guinea is Australia's chief source of low-value imports, followed by the United States, Indonesia, New Zealand and Malaysia. The United States is the leading supplier of high-value goods (16 percent of the market), followed by New Zealand, the Netherlands, Brazil, the United Kingdom, Malaysia, Italy and France.

U.S. Trade Prospects

Australia is one of the most formidable of U.S. competitors in the international market for agricultural commodities. This limits market expansion prospects for U.S. exporters. However, a few commodities show room for growth—unmilled corn and soybeans, prepared breakfast foods, oranges, tangerines, nuts and frozen vegetables. ■

Rapid Gains in Agriculture Could Change China's Market Role

Since the death of Chairman Mao in 1976, Chinese economic policy has undergone substantial change. These changes have significant implications for both U.S. agricultural market prospects within China and competition by Pacific Rim suppliers for China's agricultural import markets.

Recent Chinese policies have stressed not only a reallocation of sources, but also a reduction in the number of people engaged in agricultural production. The goal is to modernize agriculture, light industry and energy.

Prior to 1976, grain production dominated Chinese agriculture. Since then, policy initiatives designed to broaden the Chinese agricultural base have resulted in an expansion in production of soybeans, cotton and cottonseed, sugar, tubers, pulses and livestock, as well as traditional grains.

The government continued to purchase all excess supplies from farmers at prices well above market value to feed the urban population. Between 1976 and 1980, these prices were raised by 80 percent to stimulate agricultural production. This resulted in burdensome oversupplies of grains, soybeans and cotton.

Imports due to a long-term contract between China and the United States (1980-84) added to China's stocks of these commodities. When such agreements expired, China began moving excess stocks into the international market, becoming a net exporter of these commodities for the first time in its 35-year history as a communist nation.

Key Agricultural Imports

Greater openness to international trade in the post-Mao era led to a sixfold increase in agricultural imports and a tripling of nonagricultural imports between 1976 and 1980. Since that time, farm imports have declined by 50 percent while nonfarm imports have increased by 32 percent.

The upward trend in nonagricultural imports is a direct result of efforts to develop domestic infrastructure by modernizing the energy, transportation, telecommunications, educational, medicinal, automobile and textile sectors. Also, processing plants for such items as soybeans and margarine are either in operation or underway.

U.S. Trade Prospects

The outlook for U.S. trade with China is uncertain. The recent abandonment of obligatory state grain purchases in favor of allowing market forces to dictate output and prices, replacement of the work-point payment system with cash incentives and an upsurge in private enterprise have generated concern over whether China will remain a market for U.S. exports or become a stiff competitor.

In the agricultural sector, a 20-year government food plan projects increases in China's production of milk, eggs, margarine, soybeans, oilcake and meal, other oilseed products, baby food, nonalcoholic beverages, beer and ale, beef, pork, poultry, bread and other flour products.

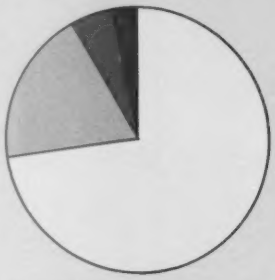
This shift to quantity and quality in food production may blunt the growth which until recently had characterized Chinese imports of low-value agricultural products.

However, larger imports appear likely for high-value items with direct ties to China's emphasis on stepped-up agricultural production. Such items might include breeding stock, frozen embryos, high-quality seeds and similar items.

The market for processed foods may selectively show some potential, but will be heavily influenced by China's own intentions to develop this sector.

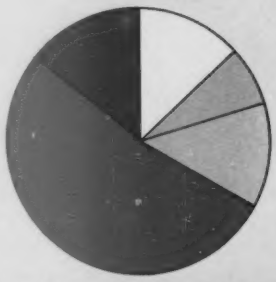
Currently, storage facilities and transportation networks are insufficient for handling another peak production year. While China has the potential to become a major exporter of low-value agricultural products, infrastructural problems could force the country to return to an import policy. ■

Grains Account for Bulk of China's Low-Value Imports. . .



Total from world: $1,941 million

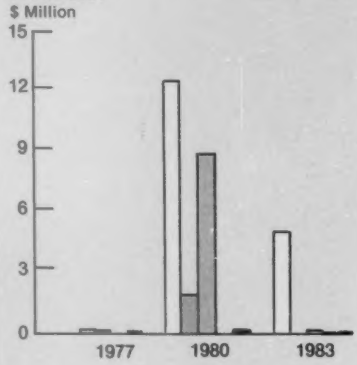
Horticulture Products Dominate Value-Added Purchases



Total from world: $199 million

- Grains and feeds
- Oilseeds
- Cotton and tobacco
- Horticultural products
- Dairy and livestock

Grains Dominate Imports From U.S.



Hong Kong Is a Major Transshipment Point for Pacific Rim

Hong Kong's Big Low-Value Imports Are Cotton, Tobacco. . .

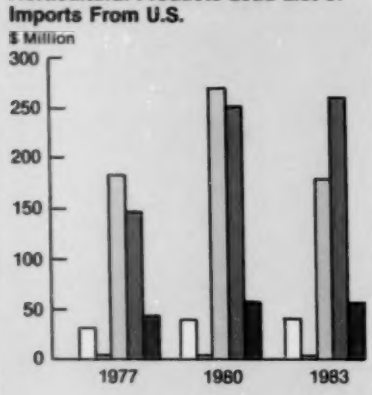
Total from world: $563 million

Horticultural, Dairy and Livestock Products Top High-Value Purchases

Total from world: $2,718 million

- Grains and feeds
- Oilseeds
- Cotton and tobacco
- Horticultural products
- Dairy and livestock

Horticultural Products Lead List of Imports From U.S.



During the past decade, Hong Kong has ranked as one of the most rapidly expanding economies in the world. The virtual absence of an agricultural sector, its commercial foundation, and its unusual degree of openness to international trade have been responsible for its rapid economic growth.

Growth of real gross national product (GNP) per person has approximated an annual average of 6.5 percent over the past two decades.

Key Agricultural Imports

Domestic agricultural requirements are almost entirely met by imports due to the highly industrialized nature of the economy, as well as the Colony's small land area.

Total agricultural imports reached a record $3.3 billion in 1983, more than double the 1977 total, mainly as a consequence of higher living standards and a further shift of consumption patterns away from low-value toward high-value imports.

Low-value products have historically accounted for a minor share of Hong Kong's agricultural imports (17 percent in 1983). Predominant products within this group are unmilled corn and wheat, unmanufactured tobacco, groundnuts and raw cotton.

In contrast, high-value products comprise the majority of Hong Kong's agricultural imports. Milled rice, live swine and fresh, chilled and frozen pork, live cattle, oranges and tangerines, vegetables for medicinal purposes and cigarettes account for the bulk of the product mix in this group.

China and the United States are Hong Kong's primary trading partners, together supplying nearly half of its agricultural imports.

Hong Kong's role as a leading transshipment point for Far Eastern markets has been partly the result of its sophisticated financial infrastructure and its modern and efficient seaport. The latter is particularly true with respect to trade with China.

Export Profile

Nonagricultural commodities constitute the bulk of Hong Kong's exports. Ninety-nine percent of Hong Kong's agricultural exports fall in the high-value category. Major exports and re-exports in this group include cigarettes, sauces, food and feed waste, vegetable preparations and lard.

Such high-value agricultural trade out of Hong Kong is primarily destined for China. Uncombed cotton waste is Hong Kong's principal low-value agricultural export, comprising around 80 percent of the total.

U.S. Trade Prospects

Hong Kong is expected to continue to rely on the United States as a major outlet for its merchandise exports. However, current trends suggest less dependence on the United States in meeting its imported food demands, particularly in the low-value product sector.

This stems primarily from the erosion in the competitiveness of U.S. agricultural products as well as growing competition from Far Eastern suppliers, particularly China.

Other factors that will impinge on Hong Kong's viability as a future market for U.S. agricultural products include its strong domestic economy, its recent export expansion efforts, and China's ability to maintain its role as a flourishing agricultural supplier.

Horticultural and tropical products (specifically, oranges and tangerines) offer the most growth potential for U.S. exporters in the Hong Kong market. ■

Indonesia's Vast Natural Resources Mean More Buying Power

Indonesia is a developing country with vast untapped natural resources. Currently, the economy remains highly dependent on world oil markets, with petroleum generating about 70 percent of Indonesia's gross domestic product (GDP) and 65 percent of its gross export earnings.

Economic growth has been impressive since the late 1960s, averaging nearly 8 percent a year, primarily as a result of high oil prices on world markets. Similarly, the country enjoys a balance of payments surplus and substantial foreign exchange holdings.

Success in non-oil exports is crucial to long-term economic growth prospects, as the costs of extracting oil and gas rise and as hydrocarbon prices level off in response to softer world oil prices.

Although agriculture accounts for only 30 percent of GDP, it employs about 60 percent of the labor force, providing a much needed source of income for Indonesians, whose average per capita GDP was $566 in 1984.

Two-thirds of the land is mountainous and forested and is, therefore, unsuitable to agricultural production. Of the arable land, less than 9 percent is cultivated, mainly with rice as a primary crop and other staples as secondary crops.

Long-term agricultural policy aims to transfer some of the success achieved in rice production to secondary crops and to smallholder export crops. Items in this latter category include rubber, tobacco and coffee, and a host of other fruit, vegetable and oilseed crops that will be required to fulfill both local and export demand.

Export Profile

Low-value agricultural exports account for about three-fourths of total agricultural exports and are dominated by coffee and natural rubber. These products are destined primarily for the United States and Singapore.

Of high-value agricultural exports, rice bran, palm oil, fatty acids, undressed hides and skins, molasses and vegetable plaiting materials compose 76 percent of the total. Pacific Rim countries (particularly Singapore) and the EC are the principal markets for these goods.

Key Agricultural Imports

Agricultural imports have recently been running at $1.4 to $1.7 billion annually, although reduced demand for wheat, rice, sugar, oilseeds and animal feeds caused the 1984 total to dip to $836 million.

Most agricultural imports are high value, consisting mainly of milled rice, soybean meal, preserved vegetables, powdered milk, butter and bovine cattle. This high-value market has recently been in the range of $1.0-$1.2 billion, roughly 70 percent of the agricultural import total.

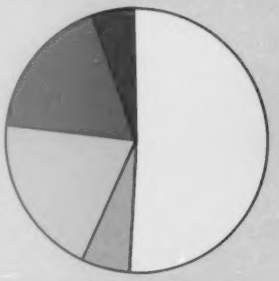
Low-value agricultural imports have included unmilled wheat and corn, jute and raw cotton. Soybeans, which Indonesia had traditionally imported in large quantities, have dropped off substantially since the late 1970s as a result of increased self-sufficiency.

Half of the low-value imports come from the United States. Other competitors showing impressive growth are Australia, Madagascar and Thailand.

Prospects for U.S. market expansion in Indonesia include unmilled wheat and corn, raw cotton and unmanufactured tobacco in the low-value category and prepared breakfast foods, oilcake and meal and meat and fishmeal waste in the high-value sector.

However, the United States will face increased competition from other Pacific Rim suppliers for virtually all these commodities. ■

Indonesia's No. 1 Low-Value Import Is Grain. . .



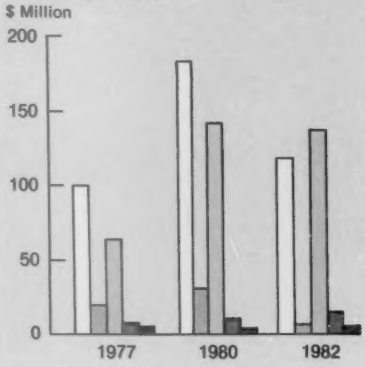
Total from world: $518 million

High-Value Leaders Are Dairy, Livestock

Total from world: $812 million

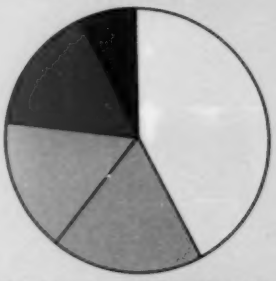
- Grains and feeds
- Oilseeds
- Cotton and tobacco
- Horticultural products
- Dairy and livestock

Chief Imports From U.S. Are Cotton, Tobacco, Grains



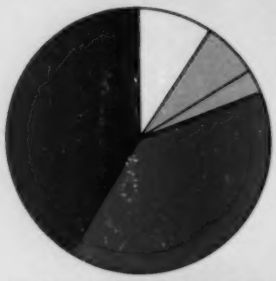
Japan Ranks as the Largest Market For U.S. Farm Products

Japan's Low-Value Imports Feature Grains, Feeds. . .



Total from world: $10,086 million

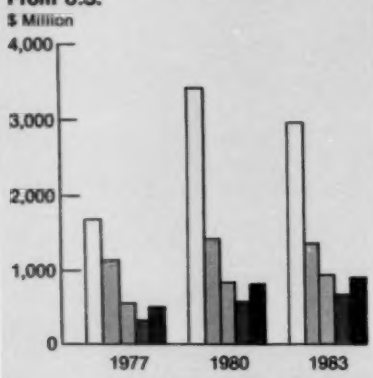
Dairy, Livestock and Horticulture Lead High-Value List



Total from world: $6,340 million

- Grains and feeds
- Oilseeds
- Cotton and tobacco
- Horticultural products
- Dairy and livestock

Grains, Feeds Leading Imports From U.S.



Japan is the third largest economy in the world and the most economically advanced of the Pacific Rim countries. Real economic growth rose at an annual average of 9 percent between 1952 and 1973 and at about 5 percent annually since that time.

Less than one-sixth of Japan's land mass is arable and even that portion which is tillable is inefficient. This places Japan in a position of comparative disadvantage with respect to many areas of agricultural production. It has, therefore, emerged as the world's largest single-country net importer of agricultural commodities.

The traditional Japanese diet has consisted mainly of rice, fish, vegetable proteins and other locally produced foods. This diet has gradually changed to include a wider variety of foods.

Key Agricultural Imports

The United States is Japan's chief supplier of both low-value and high-value agricultural products, with one-half and one-third of the markets, respectively. Grain and feed products constitute 42 percent of low-value agricultural imports. Corn is the largest component of this group, followed by unmilled wheat and barley. Japan also imports large quantities of soybeans, unrefined sugar, raw cotton, unmanufactured tobacco and coffee.

Important high-value imports include beef, pork, undressed hides and skins, canned vegetables, wine, bananas, food and feed waste and malt products. The United States faces competition from a host of countries for the Japanese market. Among these are Canada, Australia, China and Taiwan.

U.S. Trade Prospects

Many commodities show room for U.S. market expansion in Japan. Real prices of both fresh and chilled pork and poultry have exhibited steady declines since the early 1960s. As a result, Japanese consumption of these items has increased.

Despite increases in real prices of beef, per person consumption continues to rise and the United States has increased its share of that market fourfold since 1977.

Rapid expansion of the Japanese dairy industry has caused imports of these products to decline in recent years. Still, consumption increases have meant larger market shares for the United States, as receipts of dried milk and cream have more than doubled since 1981.

Although demand for food and feed grains has remained stable for a number of years, a trend toward greater consumption of high-value wheat products is evident as U.S. sales of macaroni, spaghetti, bread, biscuits and cakes to Japan have risen steadily over the decade.

The United States has benefited from the substitution of high-fructose corn syrup for sugar in Japan. The United States entered this maket in 1982 and has been increasing its share ever since.

In addition, changes in Japanese consumption patterns have led to the importation of nonalcoholic beverages, wine, beer and cigarettes, all of which show impressive growth potential for U.S. exporters. ■

Korea Relies on Imports For Food and Feed Needs

The Republic of Korea has sustained one of the highest real economic growth rates on record since the mid-1960s, averaging about 10 percent a year throughout the past two decades.

Such rapid economic growth has been accompanied by a gradually more open economy oriented towards manufacturing and exports. Exports of manufactured items have recently accounted for over 90 percent of export revenues, up dramatically from 31 percent in 1958.

Such a structural transformation in a relatively resource-poor country has been accompanied by rising incomes and changing food consumption patterns and taste preferences.

Key Agricultural Imports

Korea's imports of agricultural products during 1984 were $3.7 billion. Imports of low-value products have accounted for nearly 80 percent of the total. Such trade is composed primarily of unmilled wheat, rice, corn, soybeans, unrefined sugar, raw cotton and natural rubber.

Extension of long-term, low-interest loans through Public Law 480 and Commodity Credit Corporation assistance has enabled the United States to maintain the lead position as a source of Korean low-value agricultural imports.

However, the beginning of agricultural trade with China in 1984 resulted in China becoming Korea's number three supplier, behind the United States and Australia, largely due to purchases of Chinese corn and sorghum.

Leading high-value agricultural imports are milled rice, oilcake and meal, palm oil, undressed hides and skins, animal fats and molasses. The United States shares the market with several close competitors such as Australia, Thailand and Japan.

Export Profile

Many of South Korea's key export industries, including textiles, garments and footwear, depend on agricultural imports to supply the raw material inputs for their production.

Korean agricultural exports—the bulk of which are high value—have recently ranged between $450 and $700 million. A significant portion of this high-value export trade includes refined sugar, preserved fruit, macaroni, biscuits, mutton, eggs, edible nuts, fresh and preserved vegetables, cigarettes and a variety of vegetable oils.

Unmanufactured tobacco is South Korea's dominant low-value agricultural export (94 percent of that sector). Of total agricultural exports, low-value items are destined primarily for the United States and the European Community (EC), whereas the bulk of demand for high-value items comes from Japan, Indonesia, Hong Kong and other Pacific Rim countries.

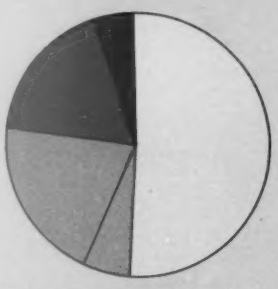
U.S. Trade Prospects

Future trends in the demand for imported agricultural products will be influenced primarily by slower economic and population growth than was evident over the past two decades and by government policies that will affect the nature of the Korean agricultural sector.

Taken together, market prospects appear reasonably good for cotton, wheat, feed grains and soybeans, although regional competition for these bulk products is likely to become more intense.

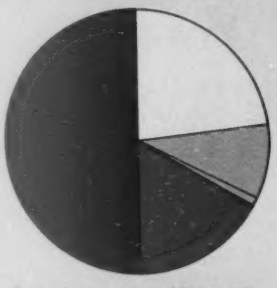
High-value commodities offering the most growth potential include prepared breakfast foods, hydrogenated oil and fat, beef, undressed hides and skins, grapes, raisins and canned vegetables. ■

Grains Make Up Half of Korea's Low-Value Imports. . .



Total from world: $3,481 million

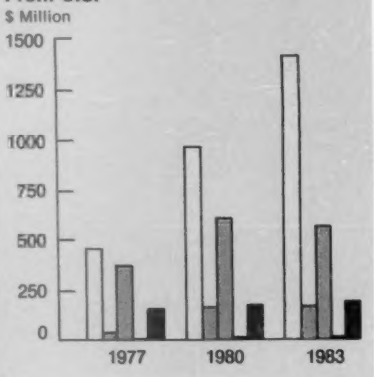
Livestock Products Leading High-Value Purchases



Total from world: $812 million

Grains and feeds
Oilseeds
Cotton and tobacco
Horticultural products
Dairy and livestock

Cotton, Tobacco Leading Imports From U.S.



Malaysia Is a Billion-Dollar Agricultural Market

Grains, Feeds Dominate Malaysia's Low-Value Imports. . .

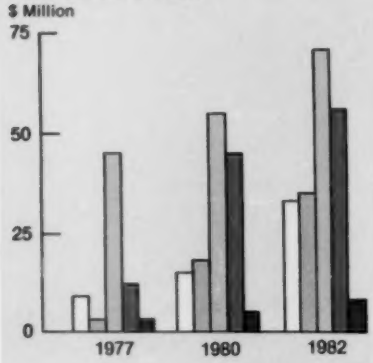
Total from world: $572 million

Horticultural Products Top Value-Added List

Total from world: $874 million

- Grains and feeds
- Oilseeds
- Cotton and tobacco
- Horticultural products
- Dairy and livestock

Cotton, Tobacco Head List of Purchases From U.S.



Reduced demand for major Malaysian exports has caused real economic growth in the country to fall from an average of 8 percent annually in the 1970s to about 6 percent in 1983. Growth during the past year—at about 7 percent—was the result of stepped-up performance in the mining, manufacturing, service and agricultural sectors. Projected growth during 1985 currently stands at between 6.5 and 7 percent.

Malaysia's merchandise trade surplus during 1984 is placed at a preliminary $2.0 billion, up substantially from the $900-million surplus in 1983. This was due to larger exports of petroleum and palm oil.

Generally satisfactory economic growth among Malaysia's major trading partners (Japan, the United States and the European Community) is expected to contribute to further, but smaller, increases in the 1985 trade surplus.

The Fourth Malaysia Development Plan (1981-85), was designed to revitalize the economy by restricting imports of locally produced goods, creating domestic employment opportunities and increasing emphasis on heavy industry.

Export Profile

Traditionally, Malaysia has been a net exporter of tin, lumber, agricultural products, manufactured goods and, more recently, petroleum. Agricultural exports consist of a somewhat narrow range—palm oil, rubber and cocoa.

Malaysia is the world's leading exporter of palm oil and natural rubber, and these two items accounted for almost 80 percent of the country's agricultural exports in 1983. Malaysia's high-value exports (about two-thirds of which are of palm oil) are shipped to Singapore, India, the Netherlands, the Soviet Union and Pakistan.

In contrast, low-value agricultural exports (89 percent of which is natural rubber) are destined largely for Singapore and the United States.

Key Agricultural Imports

Agricultural imports have ranged between $1.3 billion and $1.5 billion in recent years. This is about one-third the value of agricultural exports. Growth in the value of agricultural imports largely stems from declines in production of those crops grown for local consumption, such as rice, fruits and vegetables, as well as the demands of an ever-growing and increasingly affluent population.

Unmilled wheat and corn, soybeans, unrefined sugar and raw cotton are Malaysia's most important low-value agricultural imports. Principal suppliers include Australia, Thailand and the United States.

Other low-value agricultural imports have traditionally included pulses, tea, spices, natural rubber and wool.

The majority of Malaysia's agricultural imports, however, are high value and consist primarily of milled rice, prepared breakfast foods, oilcake and meal, dried milk and cream and fresh vegetables. Chief suppliers are Thailand, Australia, China and the United States.

Other high-value import items include macaroni and spaghetti; feed; fishmeal; cigarettes and other manufactured tobacco products; fresh apples, oranges, tangerines, and other fruits; fresh potatoes; and a variety of other fresh vegetables.

U.S. Trade Prospects

Malaysia is expected to retain its traditional agricultural trade surplus for the foreseeable future. However, import demand should continue to expand for those agricultural commodities that Malaysia cannot produce.

Of these commodities, soybeans and raw cotton show the most growth potential for the United States in the low-value sector. High-value products with possibilities for growth include fresh, chilled and frozen poultry products, coffee extracts, food preparations, nonalcoholic beverages, cigarettes, and a host of fresh and processed fruits and vegetables. ■

New Zealand Is a Specialized Export and Import Market

New Zealand is the second most affluent society in the Pacific Rim with a per capita GNP of more than US$10,000 in 1984. The wealth is not distributed evenly, however, and unemployment stands at more than 6 percent (high by New Zealand's standards).

Other serious economic problems (double-digit inflation, balance-of-payments deficits, labor unrest and an outflow of skilled workers) have plagued the country since the mid-1970s.

While inflation has declined recently to 7.3 percent in 1984, little has been done to relieve the unemployment situation. New policies, however, are underway to create employment opportunities and stimulate exports. For exports, the focus is on boosting production of high-value products and improving the marketing of forestry products (lumber, woodpulp and newsprint).

Export Profile

New Zealand's economy remains agriculturally based, generating 70 percent of export earnings. Dairy and livestock products comprise approximately 80 percent of total exports and just a few commodities (greased and degreased wool, beef, mutton, dried milk and cream, butter, cheese and undressed hides and skins) make up 95 percent of that group.

The main low-value export, wool, is distributed quite evenly among many markets, including the Soviet Union, the United Kingdom and other EC countries, Japan, China and Iran.

Other commodities, all high value in nature, are destined primarily for the United Kingdom, the United States, Iran, the Soviet Union and other Pacific Rim countries.

Key Agricultural Imports

Because New Zealand produces and exports many other agricultural items in small quantities, imports are small relative to exports and constitute only 9 percent of total agricultural trade.

Major low-value imports are wheat, tobacco, sugar and coffee. These commodities comprise over two-thirds of the total and come mainly from Australia (38 percent), the United States (7 percent) and Indonesia (6 percent).

High-value imports consist of milled rice, soybean oil, equine products and horticultural items such as oranges, bananas, juices, nuts, cocoa butter and wine. Most of the imports of these items come from Australia (27 percent), the United States (16 percent), the Netherlands (8 percent) and Ecuador (5 percent).

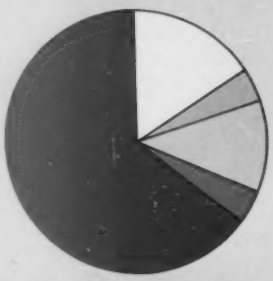
U.S. Trade Prospects

Prospects for future U.S. market growth in New Zealand appear brightest for nonagricultural products—computers and supplies, chemicals, fertilizer and agricultural equipment.

Since New Zealand promotes its agricultural processing industry, imports of processed items are expected to decline. Imports of several value-added items from the United States—most notably soybean oil, oilcake and meal and cottonseed oil— already have fallen sharply.

Imports of such items as wheat and flour, malt and flour, linseed and coconut oil, pork, molasses and beer have been increasing. However, the United States is unlikely to benefit from this import growth unless it can displace Australia as chief supplier. ■

New Zealand's Low-Value Imports Primarily Horticultural Items. . .



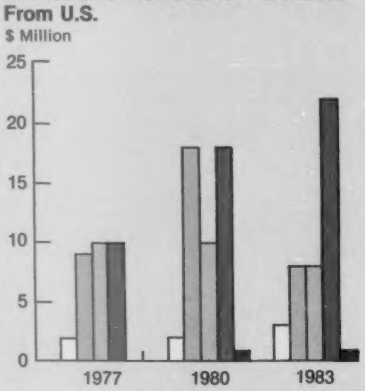
Total from world: $139 million

Similar Pattern With High-Value Purchases

Total from world: $194 million

- Grains and feeds
- Oilseeds
- Cotton and tobacco
- Horticultural products
- Dairy and livestock

Horticultural Items Chief Purchases From U.S.



Strict Controls, Economic Conditions Hamper Philippine Imports

Philippines' Top Low-Value Imports Are Grains, Feeds. . .

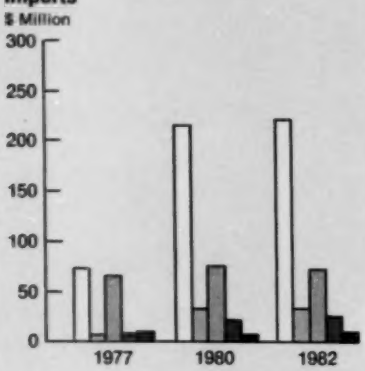
Total from world: $350 million

Livestock Products Dominate High-Value Purchases

Total from world: $488 million

- Grains and feeds
- Oilseeds
- Cotton and tobacco
- Horticultural products
- Dairy and livestock

Grains, Feeds Leading U.S. Imports



The Philippine economy appears to be one of the weakest in the Pacific Rim group. Real economic growth slowed to 1.3 percent in 1983 and contracted by around 4 percent last year. Projections for 1985 call for no real growth.

The country's disappointing economic conditions have been mirrored in its high unemployment, low per capita income, political unrest and mounting balance of payments difficulties.

Currently, agriculture accounts for a smaller share of the gross national product than do either the industrial or service sectors. Ambitious governmental programs have not achieved the rapid growth in manufactured exports attained by other newly industrialized countries in the region.

Recent official policy has focused on the agricultural sector, in the hope of capitalizing on the country's comparative advantages of low-cost labor and natural resources to develop an agricultural export industry.

Export Profile

The economy remains export-oriented, relying primarily on such commodities as coconut products, unrefined sugar, minerals and forestry products.

While agriculture's share of the country's total exports only amounts to about 30 percent, its positive contribution of between $733 million and $1.03 billion during 1983-84 stands in marked contrast to a negative industrial trade balance of $1.7-$3.2 billion. Unfortunately, world price instability inherently associated with most of these products has proven to be a significant impediment to the economic development of the Philippines.

The United States is a major market for Philippine agricultural commodities, accounting for about 35 percent of Philippine agricultural exports during the past two years. Major export items to the U.S. market include coconut oil, macaroni, biscuits, unrefined sugar, coffee and edible nuts.

Key Import Items

Despite the substantial net surplus agricultural trade balance, the Philippines is largely dependent on imports of feedstuffs (soybean meal and corn), dairy products and wheat.

Major low-value imports include unmilled wheat and corn, unmanufactured tobacco and raw cotton. Together, they compose between 85 and 90 percent of total low-value agricultural imports, which come almost entirely from the United States.

Oilcake and meal, meat and fishmeal waste, dried milk and cream and malt products are the principal Philippine high-value agricultural imports. Unlike the low-value sector, market shares in the high-value sector are more evenly distributed. Although Australia is the primary Philippine supplier for high-value commodities, other competitors include the United States, New Zealand, Brazil, the Netherlands and Denmark.

U.S. Trade Prospects

Although U.S. market expansion is likely to be hampered by strict controls on imports, potential still exists for those commodities deemed "essential." Among these commodities, high-value products such as oilcake and meal, soybean oil, live poultry, cocoa powder, chocolate and soups and broth warrant attention in the near future.

In the long term, soybeans will likely displace oilcake and meal and soybean oil as a newly completed soybean crushing plant becomes operational. Unmilled wheat and corn remain the predominant U.S. low-value agricultural supplies imported by the Philippines. Imports of wheat will most likely continue at current levels as climatic conditions in the Philippines do not permit wheat to be produced locally.

Corn imports are likely to decline as a result of policy measures designed to boost self-sufficiency and to increasing the proportion of local production that is diverted away from direct human consumption into the livestock sector. ■

Singapore Is One of the Fastest Growing Markets in the Pacific Rim

Singapore has emerged as one of the fastest growing economies in Southeast Asia. This is almost entirely due to the government's recent restructuring of industry away from labor-intensive activities toward capital-intensive, technologically sophisticated industry.

Despite balance-of-trade deficits and relatively high inflation, Singapore has consistently increased its foreign exchange holdings and has realized average annual gross domestic product (GDP) growth of 9.5 percent per year over the past decade.

Singapore's economy is primarily based on services. It is the site of the world's third largest port facility and the fourth largest international banking center. Services account for more than 70 percent of GDP, although export-oriented manufacturing has become increasingly important and now accounts for approximately 27 percent.

Singapore's future economic performance will depend mainly on growth of the service sector, increased tourist trade and expansion of foreign investments. Combined, these are expected to raise living standards, accelerating demand for high-value agricultural imports.

Key Agricultural Imports

Agricultural imports are nearly equally distributed between low-value and high-value commodities. Of the former, unmilled corn, barley, wheat, raw beet and cane sugar and natural rubber and gums have recently made up about 87 percent of the total.

Live poultry accounts for the bulk of Singapore's high-value agricultural imports, but other notable items include milled rice, oilcake and meal and fatty acids.

Malaysia remains the foremost supplier of Singapore's low-value agricultural imports with a recent market share of around 60 percent and average annual growth rate of 5 percent over the last decade. Other important sources include Thailand, Australia, China and the United States.

Malaysia is also the top supplier of Singapore's high-value agricultural imports. However, the United States, China and Thailand have aggressively increased their market shares as indicated by average annual growth rates of 20 to 30 percent.

Export Profile

Owing to its heavy reliance on outside sources to meet food demand, Singapore's agricultural export trade consists mainly of re-exports to neighboring countries. Natural rubber, coffee, corn, barley, pulses and raw cotton account for the bulk of this re-export trade in the low-value sector.

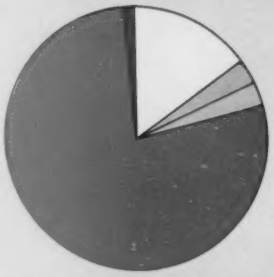
In the high-value sector, palm oil, fatty acids, cigarettes, prepared breakfast foods, preserved meat, powdered milk, butter and undressed fur skins are among the primary items re-exported.

U.S. Trade Prospects

Items in the high-value sector appearing to offer the brightest market prospects include swine, pork, butter, various fresh fruits and vegetables (berries, tomatoes and potatoes), cider, cut flowers and foliage, nonalcoholic beverages, preserved meat and wheat flour.

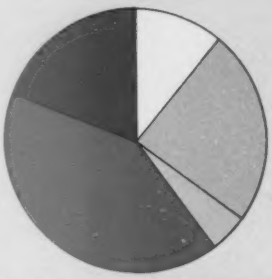
In the low-value category, the best bets are unmilled barley, oilseeds and nuts. All these commodities have registered around 100-percent average growth rates for the United States over the past decade. ■

Horticultural Products Dominate Singapore's Low-Value Import List



Total from world: $1,305 million

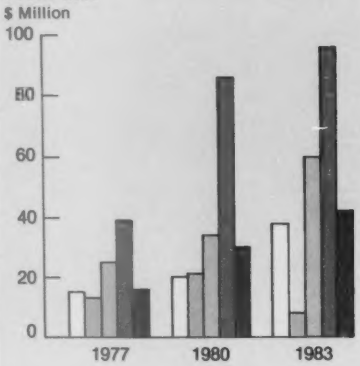
High-Value Import Mix Is Much More Balanced



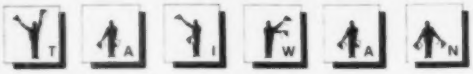
Total from world: $1,486 million

- Grains and feeds
- Oilseeds
- Cotton and tobacco
- Horticultural products
- Dairy and livestock

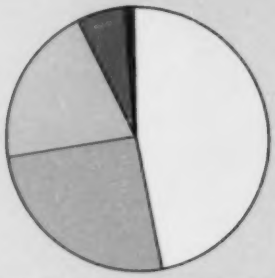
Horticultural Items No. 1 Buys From U.S.



Taiwan's Emphasis on Manufacturing Leads to More Food Imports



Grains About Half of Taiwan's Low-Value Imports. . .



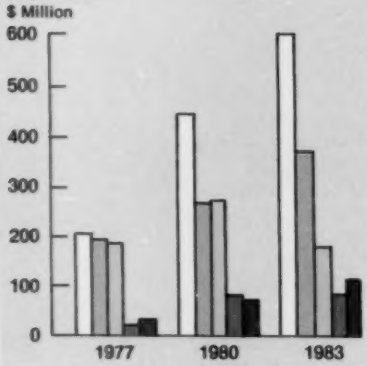
Total from world: $1,404 million

Horticulture, Livestock Top Value-Added List

Total from world: $575 million

- Grains and feeds
- Oilseeds
- Cotton and tobacco
- Horticultural products
- Dairy and livestock

Grains are Biggest Import Item From U.S.



Taiwan has been referred to as the most successful developing economy in the postwar period. Real economic growth has averaged 17 percent a year over the past two decades while real gross national product per person increased more than fivefold.

Taiwan's success rests on an increasing openness to international trade and a decreasing role of agriculture in the economy. Transfers of resources, primarily labor, out of agriculture and into the production of manufactured goods, combined with policy reforms and a more equitable distribution of income, have led to rising real incomes for the majority of Taiwan's people.

As a consequence, consumption patterns have changed. Rice, a dietary staple, has been replaced by increased consumption of other cereals and higher value foods. In response, the government, which subsidized the rice crop through support prices for many years, began to encourage rice farmers to shift land to other crops such as corn, soybeans, vegetables (asparagus and mushrooms) and tropical fruits. Rising incomes also accelerated demand for meats, especially pork and poultry.

Export Profile

Although exports are still dominated by textiles, electrical appliances, machinery and footwear, Taiwan has attained self-sufficiency in many agricultural commodities—rice, pork, poultry, eggs, sugar and fish—and now profits from these exports as well.

Traditional markets for Taiwan's agricultural exports have been the United States and Japan, but aggressive efforts have led to growing exports to new markets in the Middle East and Africa.

Key Agricultural Imports

Despite progress in agriculture in recent years, Taiwan still relies on imports to meet some of its food and all of its feed demand.

Nearly three-fourths of Taiwan's agricultural imports are low-value products and the United States recently has provided 80 percent of them.

Low-value imports (and major sources of supply) include: wheat (United States), corn (United States and South Africa), soybeans (United States), barley (Australia), sorghum (Australia and Argentina), unmanufactured tobacco (United States and Korea), raw cotton (United States and Pakistan), wool (Australia and New Zealand) and natural rubber (Singapore and Malaysia).

High-value agricultural imports—about a third of which are from the United States—consist of apples (United States), hides and skins (United States, Canada and Australia), dried milk and cream (Australia and Japan), beef (Australia and New Zealand) and meat and fishmeal waste (Japan and Chile).

U.S. Trade Prospects

Taiwan has had a trade surplus with the United States since 1967. To bring about more of a balance in its trade with the United States, Taiwan continues to employ "Buy American" policies designed to promote U.S. products there.

Tariff reductions and liberalized import policies for agricultural imports may translate into sales for U.S. exporters. Market expansion appears most promising for low-value commodities. Nearly all wheat imports come from the United States and consumption has nearly doubled in volume over the past two decades.

The volume of imported feed grains multiplied thirteenfold during that time and the United States has been the prime benefactor of this increase as Australia's role in this market is restricted to barley.

While Taiwan's imports of high-value items such as beef and dried milk and cream have increased in recent years, the United States has not benefited from these gains. ■

Thailand Depends Increasingly On Agricultural Exports

In recent years, Thailand's economy has grown at a level that makes it one of the developing world's strongest. While growth patterns in the past three to five years have been disappointing by historical comparisons, they have demonstrated the resilient character of a diversified economy, able to weather a prolonged period of slower worldwide growth.

In contrast to traditional export-oriented growth, recent gains have been largely due to strong domestic demand.

Thailand's economy remains dominated by the agricultural sector, which accounts for about 60 percent of the country's exports, roughly 20 percent of the gross national product and an estimated 50 percent of the manufacturing sector.

Despite the impressive growth in the agricultural sector during the past two decades, much of this growth has come about as a consequence of an expansion in the area devoted to several key commodities.

While area expansion is likely to continue for the remainder of the decade, longer term prospects for Thailand's agricultural sector will have to come from adoption of yield-improving technologies, requiring greater use of inputs, longer term investments and higher costs for farmers.

Export Profile

Thailand's agricultural exports have recently been around $4 billion. Approximately two-thirds of exports are of high-value products such as milled rice, fishmeal, castor oil, tapioca pellets and chips and fresh poultry.

Within the low-value group, unmilled corn and unrefined sugar account for about 80 percent of exports.

Key Agricultural Imports

Thailand's role as a net food exporter and various policy factors limit market opportunities to a narrow range of product categories.

The United States dominates Thailand's low-value agricultural imports. The low-value product market is comprised mainly of unmilled wheat from the United States and Australia, copra from Malaysia, unmanufactured tobacco from the United States, and jute from China and Bangladesh.

Imports of high-value products have recently accounted for between 55 and 60 percent of total agricultural imports. This product group is currently dominated by soybean meal from Brazil and China; palm oil from Malaysia; and powdered milk from the European Community, Australia and New Zealand.

U.S. Trade Prospects

Thailand's emphasis on expanding and developing its own agricultural processing sector will continue to blunt significant market opportunities that might otherwise stem from the country's growing affluence and impressive economic growth.

While the United States should continue to dominate the market for such low-value items as unmanufactured tobacco, regional competition is likely to increase for such products as soybeans and wheat.

Market opportunities in the high-value categories are considered more promising, with the most potential centered on vegetable seeds, breeding chicks, selected fresh fruits (apples and pears), wines, high-quality beef, a limited number of canned fruits and vegetables (corn, olives and peaches), prunes, liquid flavorings and cocoa and cocoa products. ■

Cotton, Tobacco Dominate Thailand's Low-Value Imports. . .

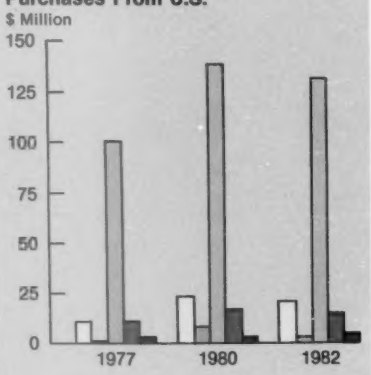
Total from world: $210 million

Commodity Mix More Even for High-Value Purchases

Total from world: $280 million

- Grains and feeds
- Oilseeds
- Cotton and tobacco
- Horticultural products
- Dairy and livestock

Cotton, Tobacco Chief Thai Purchases From U.S.



Country Briefs

Canada

Rapeseed Sales to U.S. Allowed

Now that Canadian rapeseed oil has been ruled as "generally recognized as safe" (GRAS) by the U.S. Food and Drug Administration, the door is open for exports of the Canadian oil—and products processed in that oil—to be exported to the United States.

Rapeseed, originally crushed for industrial oil, has become the predominant oil used in Canada for the manufacture of margarine, shortening and salad oil. This development is partly due to new seed varieties that eliminated high levels of erucic acid, which researchers cited as a possible source of heart problems. Referred to as "canola" by Canadians, the products of the new rapeseed varieties are readily acceptable in Canada. The raw seed, oil and meal also are exported, primarily to Japan.

The combination of GRAS status, recent freight rate reductions in Canada and a weak Canadian dollar may serve to make Canadian rapeseed oil very competitive in certain U.S. markets. The Canadian industry now will be able to export products prepared in rapeseed oil—for example, french fries—rather than maintaining separate processes for domestic consumption and exports.

Initially, rapeseed oil exports to the United States are expected to be small relative to U.S. vegetable oil consumption. But if rapeseed oil should find a niche in the U.S. market, production in Canada could be spurred. Indeed, rapeseed could become an alternative crop in the United States. *—Carol Goodloe, Economic Research Service. Tel. (202) 447-8376.*

China

Storage Capacity To Increase

The Chinese government recently allocated another $592 million to the construction of storage facilities, bringing the total for such construction to nearly $1.4 billion since 1983. By the end of 1986, when the new structures are expected to be completed, China will have added storage for 35 million tons of grain, 1.5 million tons of cotton, 200,000 tons of fruit and 300,000 tons of sugar. By the end of 1984, China's grain storage capacity was estimated at 108.5 million tons and its cold storage capacity at 200,000 tons.

Local peasants also are being urged to build simple storage facilities outside of the state plan. This year an estimated 100,000 households in Hubei are specializing in storing 1 million tons of grain in 40 major grain producing counties. In Jilin the peasants stored 2 million tons of corn.

Efforts are also being made to consume more grain through increased food processing and animal feed processing. The Ministry of Commerce, which is responsible for the internal transportation and distribution of food in China, commented that, "Recent good harvests have led to grain production far outpacing the development of other agricultural industries, such as food processing and animal and poultry raising." *—Norman R. Kallemeyn, Agricultural Counselor, Beijing.*

Large Cotton Crops Spurring Textile Use

Now that it has been basically self-sufficient in cotton the past two crop years, China is encouraging greater textile consumption. In 1983, cloth consumption per capita was only 5 kilograms, compared with a world average of 7 kilograms and a U.S. average of 21 kilograms. By 1984 the Chinese average had climbed to 7.4 kilograms.

The government is encouraging Chinese cadres to wear more fashionable clothing so that the general population will realize that being fashionable is no longer a political stigma. The communist party has ruled that there is nothing wrong with wearing blue jeans, and the government wants to see more variety in clothing and cloth styles. Officials also are urging people to buy new and ready-made clothing rather than patching old clothes, and to use new cotton filling in their clothing and bedding. *—Susan H. Scurlock, Agricultural Attache, Beijing.*

Italy

Soybean Production Encouraged

The Italian Ministry of Agriculture, several banks, and Italy's largest soybean processor recently co-sponsored a major convention to promote greater soybean production. Soybean acreage in Italy has already swelled from 2,900 hectares in 1982 to 35,960 hectares in 1984. It is expected to climb to a record 80,000 hectares in 1985, and to 100,000 hectares next year.

Italy enjoyed a record soybean yield of 3.65 metric tons per hectare in 1984. With an established price in the European Community of about $365 per metric ton, this means Italian farmers can earn about $1,340 per hectare from their soybean plantings. This is higher than for any other row crop, and is one of the reasons why soybean production is expanding in Italy. Soybeans are partially replacing corn because they fit quite well into a new rotation pattern where inputs of nitrogen left by soybeans benefit subsequent crops, reducing the cost of fertilizers. Sugarbeet producers have also been encouraged to shift to soybeans.

This is an example of how the EC pricing structure first produced an oversupply of grain and sugarbeets and now is spilling over into high-cost production of oilseeds at the expense of the EC agricultural budget. Present estimates are that this artificially profitable shift to soybeans will expand to about 130,000 hectares in the coming years.—*James P. Rudbeck, Agricultural Counselor, Rome.*

Japan

Imported Hay Market Growing

Japan's market for imported hay and roughage has been growing in response to steadily increasing animal numbers, particularly beef cattle. However, the U.S. share of the market has been declining due to competition from other countries, especially Canada.

Japanese trade sources indicate that imports of hay cubes should increase from the current 400,000 tons a year to 500,000 tons in a few years. This optimism is based on the belief that Japanese farmers are beginning to recognize that hay cubes contain high nutrition as well as fiber, and thus are better feed than beet pulp or rice straw which contain primarily fiber. Trade sources also indicate that imports of baled hay are trending up because timothy hay is beginning to be fed to cattle.

Japanese farmers are heavily influenced by color in making their alfalfa and hay cube purchases.—*William L. Davis, Agricultural Counselor, Tokyo.*

Labeling Practices Hurt U.S. Canned Soup Sales

The volume of Japan's canned soup imports from the United States fell by more than half between 1979 and 1983, while the value slipped 48 percent to $1.7 million. The declines were caused almost entirely by increased competition from domestic soup products.

Industry contacts report that while U.S. soups remain competitive with domestic products in terms of price, they are not competitive in terms of packaging and adaptability to changing consumer needs. U.S. canned soups typically have paper labels while Japanese soups have labels which are lithographed directly onto the cans. Fastidious Japanese consumers are reluctant to buy cans with paper labels that are even slightly shopworn and this discourages both wholesalers and retailers from handling U.S. soup products.

U.S. canned soups also have suffered from an overall decline in demand for canned soups as consumer tastes have switched to soups packed in retort pouches and refrigerated paper cartons and most importantly to dried soups.

At present, about 80 percent of the soup sold in Japan is dried soup. Local processors have introduced a number of new dry soups that meet special consumer needs such as individual "stick" packs that fit conveniently into lunch boxes, traditional Japanese-style soups with seaweed, and soy milk-based soups for the health food market. There has been an increase in demand for single-serving, ready-to-serve canned soups, but U.S. firms are not yet marketing such soups in Japan.—*William L. Davis, Agricultural Counselor, Tokyo.*

Liberia

Feed, Livestock Sectors Need Development

Development of a domestic feed milling industry will be an essential element in the growth of Liberia's livestock industry. At this point, all feed must be imported—and the high cost of these imports has made it difficult for locally produced poultry and hogs to compete with imported meat. Plans by the U.S.-owned National Milling Company to build a $1-million feed mill could remedy the situation somewhat. This facility will use the mill's wheat bran byproducts, which are currently exported, and corn and soy imports to produce up to 12,000 tons of feed annually.

The United States is Liberia's main supplier of corn and soybean oil and meal, according to available data. The European Community (EC) also supplies some soybean oil and meal, as well as animal fodder. Right now fodder is the major animal feed import. Liberia's Ministry of Agriculture estimates the annual demand for chicken feed at about 500,000 hundredweight bags and hog feed demand at 48,000 hundredweight bags.—*Mary Burfisher, Economic Research Service. Tel. (202) 447-8644.*

Malaysia

U.S. Losing Ground in Soybean, Meal Market

The United States is facing stiff competition in the Malaysian market for soybeans and soybean meal. Chinese and Vietnamese soybeans currently are very competitive in terms of price, although both countries bag their beans, which is not particularly convenient for most importers. The Chinese and Vietnamese also will ship in any quantity, while the minimum economical U.S. shipment is 10,000 metric tons.

The U.S. share of the Malaysian soybean/soybean meal market on a soybean equivalent basis stood at 21 percent in 1983/84, down from approximately 41 percent the year before. This year the U.S. share is projected to shrink further, while the Chinese may capture roughly two-thirds of the market.

U.S. soybean sales were nil during the first half of 1984/85 and with the onset of a good Argentine soybean harvest, the United States may be shut out of the Malaysian market until Argentine supplies are exhausted in the third or fourth quarter of the year.—*Frank Tarrant, Agricultural Attache, Kuala Lumpur.*

Western Europe

Outlook Good for U.S. Almond Sales

The United States, the world's largest producer and exporter of almonds, is in a good position to make substantial gains in the West European market in 1984/85. West Europe is typically the destination for about three-fifths of U.S. almond exports.

Last year's almond crops in Italy and Greece, Western Europe's No. 2 and 3 almond producers, respectively, were markedly smaller than in 1983. Supplies are also low in Spain, Western Europe's largest producer and the second largest supplier of that region after the United States.

In contrast, the United States has large supplies available. While the California Almond Growers Exchange opened the 1984/85 season with price quotations significantly below a year earlier, Spanish prices were near or above year-earlier prices (depending on variety of almonds) and Italian prices well above the previous year. Thus, the U.S. product has become more competitive than it was already, even eroding Spain's transportation cost advantage.

While the United States is certain, by virtue of its large crops and low costs of production, to maintain the lion's share of the West European and European Community's (EC) almond import market in the coming year, the future of its sales to the EC is somewhat clouded by prospective Spanish accession. After it joins, Spain eventually will benefit from removal of the EC's 7-percent import tariff on non-EC almonds. Also, Portugal, a minor almond producer until recently, is expanding output and exports with a view towards its accession, which is expected to occur simultaneously with that of Spain.—*Miles Lambert, Economic Research Service. Tel. (202) 447-8289.*

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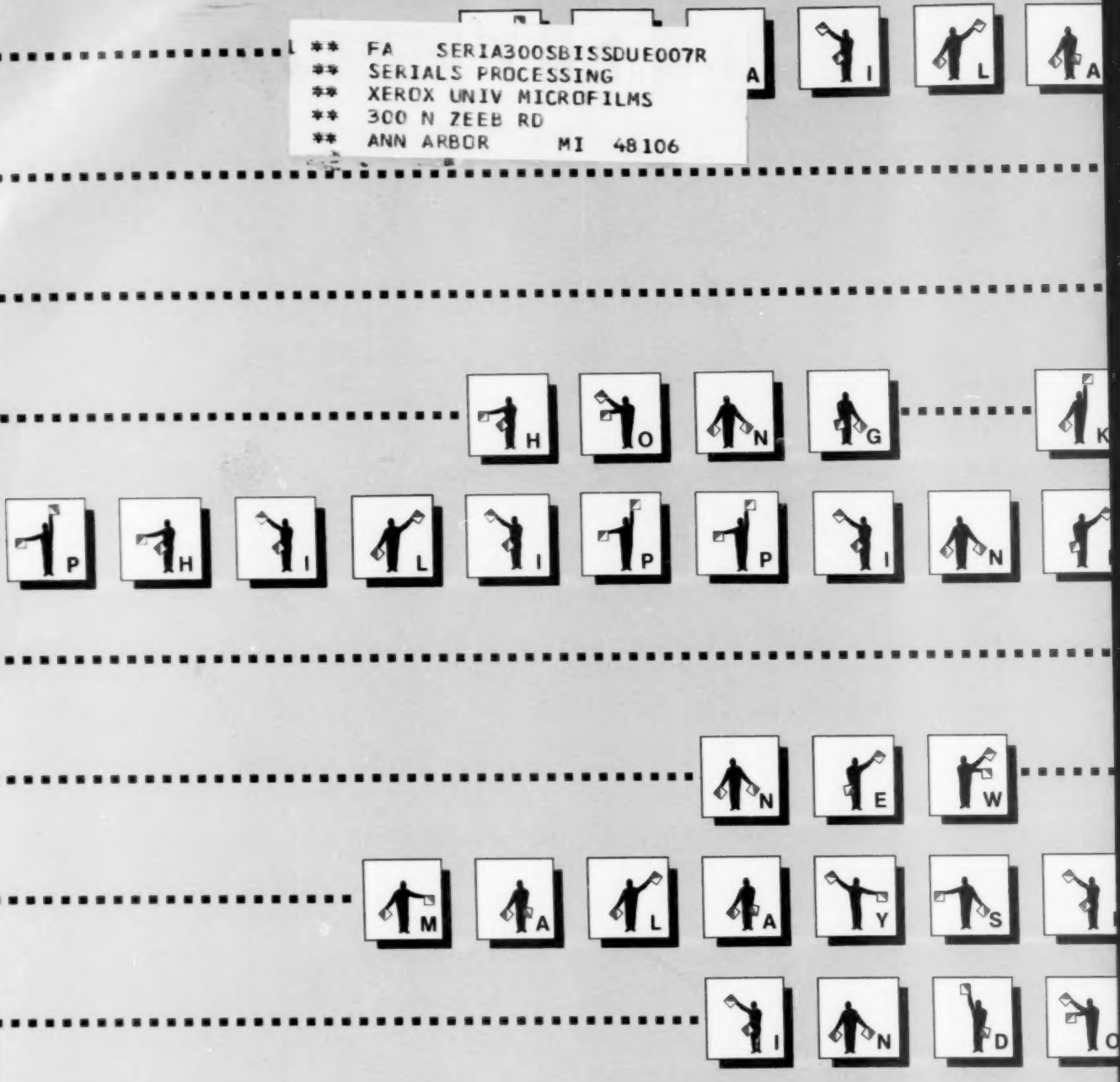
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